

AMENDED IN SENATE APRIL 2, 2003

**SENATE BILL**

**No. 821**

**Introduced by Senator Alarcon**

February 21, 2003

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An act to add Chapter 21 (commencing with Section 9900) to Division 3 of the Business and Professions Code, *and to add Section 66015.9 to the Education Code*, relating to business ethics.

LEGISLATIVE COUNSEL'S DIGEST

SB 821, as amended, Alarcon. Commission on Business Ethics: *business ethics courses.*

(1) Existing law requires the Department of Consumer Affairs to regulate various professions and vocations.

This bill would create the Commission of Business and Ethics. The bill would specify that its ~~6 members would be selected by the Director of the Department of Consumer Affairs, subject to approval by the Governor. The bill would require commencing June 1, 2005, the commission to establish and administer an exam that a person graduating with a specified business degree would be required to pass. The bill would additionally require these persons, on or after June 1, 2005, to pass a class in business ethics.~~

~~The bill would require the commission to be funded by the Department of Consumer Affairs in the 2003-04 fiscal year. The bill would authorize the commission to charge a fee for taking the business ethics exam. The bill would require these fees to be placed in the newly created Commission on Business Ethics Fund and, upon appropriation, would authorize their use for specified purposes. 9 commissioners serve on a voluntary basis and that they be appointed in equal numbers by the Senate, the Assembly, and the Governor. The bill would require the~~

*commission to develop regulations for ethical business practices, propose disciplinary fines and actions for business executives and directors who violate ethical standards, and make referrals to the Department of Justice and other law enforcement agencies for criminal or civil actions for a violation of ethical standards.*

*(2) Existing law, known as the Donahoe Higher Education Act, sets forth the missions and functions of California's public and independent segments of higher education, and their respective institutions of higher education. Provisions of the act apply to the University of California only to the extent that the Regents of the University of California, by appropriate resolution, act to make a provision applicable. Among other things, the act identifies common educational missions shared by educational institutions in California and differentiates more specific missions and functions among the various educational segments.*

*This bill would require the Trustees of the California State University and the governing board of each community college district, and request the Regents of the University of California and the governing body of each regionally accredited private or independent college and university in the state to require that, commencing on June 1, 2005, any student at any institution under their respective jurisdictions has successfully completed minimum coursework in business ethics prior to receiving an associate, bachelor's, or master's degree in business or business administration. To the extent that the bill would create new duties for community college districts, it would impose a state-mandated local program.*

*(3) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement, including the creation of a State Mandates Claims Fund to pay the costs of mandates that do not exceed \$1,000,000 statewide and other procedures for claims whose statewide costs exceed \$1,000,000.*

*This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.*

*Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: ~~no~~-yes.*



*The people of the State of California do enact as follows:*

SECTION 1. (a) *The Legislature finds and declares that ethics in business are vital to the economic well-being of the state.*

(b) *It is, therefore, the intent of the Legislature to enact legislation to establish the Socially Responsible Business Leadership Initiative to prepare and inspire California business graduates to apply their business skills to enhance the common good.*

SEC. 2. Chapter 21 (commencing with Section 9900) is added to Division 3 of the Business and Professions Code, to read:

CHAPTER 21. BUSINESS ETHICS

9900. The California Commission on Business Ethics is hereby created in state government.

~~9901. (a) The commission shall be comprised of the following six members:~~

~~(1) One professor of business from the University of California system.~~

~~(2) One professor of business from the California State University system.~~

~~(3) One professor of business from the California Community College system.~~

~~(4) One professor of business law or legal ethics from an accredited California law school.~~

~~(5) One professor of business from a private California accredited four year institution.~~

~~(6) One professor in a masters in business administration program at a California accredited public or private institution.~~

~~(b) All commission members shall be selected by the Director of the Department of Consumer Affairs, subject to the approval of the Governor.~~

~~(c) The Director of the Department of Consumer Affairs shall serve as an ex officio member of the commission.~~

~~9902. (a) (1) Commencing on June 1, 2005, the commission shall establish and annually administer an exam to each person graduating with a business degree in a specific area of study, as determined under subdivision (b), from an accredited two-year or four-year institution, or with a masters in business administration.~~

~~(2) Each person subject to paragraph (1) shall pass the exam prior to engaging in that business.~~

~~(b) A list of the areas of study in subdivision (a) shall be determined by the commission.~~

~~9903. (a) Commencing on June 1, 2005, each person graduating with a degree in business from an accredited two or four year institution, or with a masters in business administration, shall pass a class in business ethics prior to graduation.~~

~~(b) The commission shall compile a list of required subject matter for the business ethics class by June 1, 2004.~~

~~(c) The subject matter in subdivision (b) shall be appropriately and adequately included in the exam administered by the commission.~~

~~9904. (a) In the 2003-04 fiscal year, the commission shall be funded by money the Department of Consumer Affairs receives in the Budget Act of 2003.~~

~~(b) Thereafter, the commission shall be funded by fees it receives from the exam required by Section 9902. The amount of these fees shall be established by the commission.~~

~~(c) These fees shall be deposited in the Commission on Business Ethics Fund which is hereby created. Upon appropriation, these funds shall be available for the purposes of this chapter, including, but not limited to, providing educational seminars to individuals in specified professions or vocations who received business degrees before and after June 1, 2005.~~

~~9901. (a) The commission shall be comprised of nine members who represent the state's diverse cultural, geographical, and economic composition.~~

~~(b) At a minimum, the commission shall include members representing:~~

~~(1) Labor and human rights.~~

~~(2) Civil rights and diversity.~~

~~(3) The environment.~~

~~(4) The business community of the state.~~

~~(5) Customers and consumers of products.~~

~~(6) Ethics specialists and the legal field.~~

~~(7) University business schools.~~

~~(8) Corporate shareholders.~~

~~(9) Public health.~~

1     (c) *The commissioners shall serve on a voluntary basis and*  
2 *shall be appointed in equal numbers by the Senate, the Assembly,*  
3 *and the Governor.*

4     9902. *The commission shall do the following:*

5     (a) *Develop regulations for ethical business practices and*  
6 *corporate responsibility.*

7     (b) *Refine the parameters for a “socially responsible business”*  
8 *for public contract procurement.*

9     (c) *Propose disciplinary fines and actions against business and*  
10 *corporate executives and directors who violate ethical standards.*

11     (d) *Authorize referrals to the Department of Justice or other*  
12 *law enforcement agencies for criminal or civil actions a violation*  
13 *of ethical standards.*

14     (e) *Index and rank socially responsible businesses.*

15     9903. *For purposes of this chapter a “socially responsible*  
16 *business” is a business that has shown due respect for and*  
17 *safeguards the environment, human rights, public health and*  
18 *safety, the dignity of its employees, and the welfare of communities*  
19 *in which the business operates.*

20     SEC. 3. *Section 66015.9 is added to the Education Code, to*  
21 *read:*

22     66015.9. *The Trustees of the California State University and*  
23 *the governing board of each community college district shall, and*  
24 *the Regents of the University of California and the governing body*  
25 *of each regionally accredited private or independent college and*  
26 *university in the state are requested to, require that, commencing*  
27 *on June 1, 2005, any student at any institution under their*  
28 *respective jurisdictions has successfully completed minimum*  
29 *coursework in business ethics prior to receiving an associate,*  
30 *bachelor’s, or master’s degree in business or business*  
31 *administration.*

32     SEC. 4. *Notwithstanding Section 17610 of the Government*  
33 *Code, if the Commission on State Mandates determines that this*  
34 *act contains costs mandated by the state, reimbursement to local*  
35 *agencies and school districts for those costs shall be made*  
36 *pursuant to Part 7 (commencing with Section 17500) of Division*  
37 *4 of Title 2 of the Government Code. If the statewide cost of the*  
38 *claim for reimbursement does not exceed one million dollars*

- 1 *(\$1,000,000), reimbursement shall be made from the State*
- 2 *Mandates Claims Fund.*

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